Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 172455
ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 SS-15
NSC-05 /054 R

DRAFTED BY EB/OA/AN:TROESCH/PAH
APPROVED BY EB/OA/AN:RABROWN
EA/PHL:JSARTORIUS
CAB:JHORNEMAN (INFO
DOT:JJONES (INFO)
EB/OA:MHSTYLES
----------061802 081128Z /20
R 080040Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY MANILA

LIMITED OFFICIAL USE STATE 172455

E.O. 11652: N/A

TAGS:EAIR, RP

SUBJECT:US-PHILIPPINES NEGOTIATIONS RECESSED

REF: STATE 166891

SUMMARY: WEEK OF NEGOTIATIONS FAILED TO PRODUCE AGREEMENT BUT DID CLARIFY DIFFERENCES AND PREPARED GROUND FOR POSSIBLE PROGRESS IN SECOND ROUND OF TALKS TENTATIVELY SET FOR LATE SEPTEMBER AND OCTOBER. END SUMMARY.

1. NEGOTIATIONS THROUGHOUT WEEK WERE FRANK AND FRIENDLY. IN PRIVATE MONDAY MORNING SESSION, US DEL CHAIRMAN CLEARLY STATED THAT USG UNABLE TO CONSIDER TOKYO AND IN ADDITION IT WOULD BE VERY DIFFICULT TO CONSIDER FREQUENCY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 172455

RESTRICTIONS. BOTH SIDES AGREED TO SEEK UNDERSTANDING FOR A LIMITED PERIOD WHICH WOULD NOT ONLY PROVIDE PHILIPPINE AIRLINES (PAL) PROTECTION WHILE IT IS WAITING FOR NEW JUMBO AIRCRAFT BUT, AT SAME TIME, CREATE CONDITIONS ALLOWING FOR "OPEN SKIES" AT END OF THAT DURATION. NO AGREEMENT WAS REACHED ON DURATION OF IN-TERIM PERIOD BECAUSE, AS BOTH SIDES AGREED, IT WOULD

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

DEPEND ON MAKEUP OF TOTAL PACKAGE. USDEL INITIALLY FAVORED A SHORT TERM, APPROXIMATELY EARLY 1980; PHILS PREFERRED END OF 1982. (DURING PRIVATE SESSION USDEL

RAISED QUESTION OF PAN AM FINE BUT PHILDEL STATED IT DID NOT WISH TO DISCUSS THE MATTER).

2. MAJOR AREAS OF DIFFERENCES WERE AS FOLLOWS: ROUTES, FREQUENCIES AND RELATED CONDITIONS, DESIGNATION OF US AIRLINES, CHANGE OF GAUGE, NEED FOR EX POST FACTO REVIEW; CHARTERS AND TARIFFS.

3. ROUTES: USDEL NOTED ITS INTEREST IN FULL TRAFFIC RIGHTS TO TAIWAN AS AN INTERMEDIATE POINT; TO THAILAND, SINGAPORE, MALAYSIA AND INDONESIA, AS POINTS BEYOND MANILA AND FROM KOROR (PALAU) TO MANILA. PHILDEL RE-ITERATED ITS ROUTE INTERESTS IN TOKYO, GUAM, LOS ANGELES AND VANCOUVER (AS A POINT BEYOND HONOLULU AND/OR SAN FRANCISCO). ALTHOUGH USDEL REPEATEDLY STATED THAT TOKYO WAS NON-NEGOTIABLE, PHILDEL MADE IT EQUALLY CLEAR THAT IT WANTED TOKYO, IF NOT IN THE INTERIM PERIOD, THEN LATER IF "OPEN SKIES" WAS TO BECOME A REALITY.

4. FREQUENCIES: USDEL SAID IT COULD CONSIDER RESTRICTION ON FREQUENCIES DURING INTERIM PERIOD IF IT WAS ASSURED THAT THERE WOULD BE NO RESTRICTIONS FOLLOWING THAT PERIOD.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

IT SUGGESTED SEVEN FREQUENCIES PER WEEK (IN EACH DIRECTION) FOR EACH OF THE COMBINATION AIRLINES (NW AND PAA),A TOTAL OF SEVEN FREQUENCIES A WEEK FOR THE ALL-CARGO OPERATORS (NOT ONLY FOR FTL BUT ALSO NW AND PAA) AND THREE FREQUENCIES FOR THE KOROR SERVICE (AIR MICRONESIA/ CONTINENTAL). PAL WOULD HAVE 14 FREQUENCIES PER WEEK ALLOWING IT TO OPERATE DAILY SERVICE TO BOTH LOS ANGELES AND SAN FRANCISCO. HOWEVER, PHILDEL MADE IT CLEAR THAT PAL DID NOT HAVE SUFFICIENT EQUIPMENT TO OPERATE AT THIS LEVEL AND, THEREFORE, NEEDED TO RESTRICT US AIRLINES UNTIL IT WAS IN A POSITION TO COMPETE WITH THEM. PHILS WERE READY TO GRANT THE US ITS DESIRED FREQUENCY LEVELS BUT WITH INCREASE OF SERVICE PHASED OVER A PERIOD OF TIME TO REACH TO MAXIMUM SEVEN PER WEEK LEVEL. THEY ALSO DESIRED THAT FULL FIFTH FREEDOM TRAFFIC RIGHTS REQUESTED FOR US AIRLINES WOULD BE LIMITED TO FOUR FREQUENCIES PER WEEK DURING INTERIM PERIOD AND THAT THE REMAINING THREE FREQUENCIES WOULD BE RESTRICTED TO EXCLUDE GUAM AND TOKYO. USDEL SAID IT PERHAPS MIGHT CONSIDER A LIMIT ON SERVICE TO BEYOND POINTS AND AT TAIWAN, BUT NOT ON SERVICE FROM TOKYO AND GUAM. AT END OF WEEK US REEMPHASIZED NEED FOR FULL TRAFFIC RIGHTS ON ALL FLIGHTS.

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

RELATED PROBLEM WAS DEFINITION OF FREQUENCY. BECAUSE OF PHILIPPINE PROBLEM WITH FTL, PHILDEL WANTED ONE FREQUENCY TO EQUAL ONE LANDING AND ONE TAKE-OFF. HOWEVER, USDEL

RESISTED THIS DEFINITION BECAUSE TO USE IT WOULD REQUIRE DOUBLING TOTAL US "FREQUENCIES".

5. DESIGNATION OF AIRLINES: WITH POTENTIALLY FOUR US AIRLINES (CONTINENTAL AS WELL AS NW, PAA, AND FTL) PHILDEL SOUGHT RESTRICTION OF ONE US AIRLINE PER ROUTE. USDEL DEFENDED PRINCIPLE OF MULTIPLE DESIGNATION BUT AGREED TO CONSIDER A STATEMENT THAT USG DID NOT INTEND TO ADD NEW US AIRLINES TO PHILIPPINE ROUTES AT PRESENT.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

6. CHANGE OF GAUGE AND EQUIPMENT: WHILE PHILDEL WAS PREPARED TO ACCEPT RIGHT OF AIRLINES TO USE DIFFERENT AIRCRAFT ON ROUTE (FTL PROBLEM), IT BALKED AT CLASSIC CHANGE OF GAUGE AT MANILA (I.E., CHANGE TO SMALLER EQUIPMENT ON OUTBOUND LEG AND VICE VERSA), EXPLAINING IT FEARED DEVELOPMENT OF REGIONAL NETWORK BY US AIRLINES. ALTHOUGH POINT HAD NO IMMEDIATE IMPORTANCE TO US WITHIN PHILIPPINE CONTEXT, US MAINTAINED POSITION BECAUSE OF ITS CONTROVERSY WITH FRANCE ON THIS SUBJECT.

7. EX POST FACTO REVIEW: PHILDEL WISHED TO INCLUDE IN AGREEMENT PROVISION FOR EX POST FACTO REVIEW IN INTERIM PERIOD, EXTENDING REVIEW TO INCLUDE CAPACITY, FARES AND CONDITIONS. USDEL EXPLAINED THAT EX POST FACTO REVIEW INVOLVED ONLY REVIEWING EFFECTS OF CAPACITY INCREASE AT A LATER PERIOD AND DID NOT RELATE TO FARES AND CONDITIONS. IT ALSO NOTED THAT AS CAPACITY WOULD BE FIXED DURING THE INTERIM PERIOD, REVIEW OF CAPACITY WOULD BE UNNECESSARY.

8. CHARTERS: US PRESENTED PAPER WHICH WOULD PROVIDE COUNTRY OF ORIGIN RULES. IN SPITE OF GENERALLY FAVOR-ABLE EXPERIENCE WITH PHILS IN CHARTER AREA, PHILDEL STATED THAT GOP IS LEGALLY BOUND TO APPROVE ALL CHARTERS COMING TO PHILIPPINES, THAT CONCEPT OF COUNTRY OF ORIGIN RULES WAS TOO BIG FOR GOP TO SWALLOW AND THAT IT WISHED TO CONTROL TYPE OF TOURIST THAT WOULD VISIT PHILIPPINES. US REITERATED THAT CHARTER AGREEMENT WOULD HAVE TO BE PART OF ANY UNDERSTANDING. (TEXTS OF BOTH DELEGATIONS' PAPERS WILL BE AIRPOUCHED TO POST.)

9. TARIFFS: US PRESENTED LOW TARIFF STATEMENT WHICH WOULD ALLOW EITHER GOVERNMENT TO DISAPPROVE SALE OF

LIMITED OFFICIAL USE

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

FARES SOLELY IN ITS OWN COUNTRY AND UNDER CERTAIN SPECIFIED CIRCUMSTANCES. PHILDEL DID NOT HAVE OPPORTUNITY TO REACT TO US PAPER. (TEXT OF US PAPER WILL BE AIRPOUCHED TO POST.)

10. COMMENT: ALTHOUGH USDEL WAS GENERALLY SATISIFED WITH EXCHANGE OF VIEWS DURING THIS ROUND OF TALKS AND NOT COMPLETELY PESSIMISTIC REGARDING OUTCOME OF SECOND ROUND, PHILIPPINE INSISTANCE ON TOKYO IS CLEAR SIGN THAT THIS ISSUE WILL NOT BE IGNORED BUT WILL, AT VERY LEAST, BE RAISED AS BARGAINING POINT AT END OF INTERIM PERIOD. USDEL REALIZES THAT TRANSITION TO UNRESTRICTED ARRANGE-MENT WOULD HAVE TO BE CAREFULLY SPELLED OUT AND US WOULD HAVE TO HAVE PAL'S RIGHTS TO LOS ANGELES ON STRING - READY TO BE PULLED BACK. THESE PROBABLE DIFFICULTIES AT END OF INTERIM PERIOD ARE MAJOR CONCERN OF USG IN REASSESSING ITS POSITIONS FOR THE NEXT ROUND OF TALKS. VANCE

NNN

Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE172455
Document Source: CORE
Document Unique ID: 00
Drafter: TROESCH/PAH
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780280-0896
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780782/aaaacrlo.tel
Line Count: 192
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7da0e378-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 166891
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2078594
Secure: OPEN
Status: NATIVE
Subject: US-PHILIPPINES NEGOTIATIONS RECESSED
TAGS: EAIR, RP, US
To: MANILA
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/7da0e378-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014